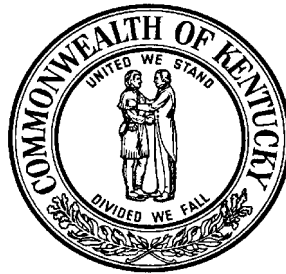


**REPORT OF THE AUDIT OF THE  
HARDIN COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2001**



**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Glen Dalton, Hardin County Judge/Executive  
Honorable Martha Thomas, Hardin County Sheriff  
Members of the Hardin County Fiscal Court

The enclosed report prepared by Stephens & Lawson, PSC, Certified Public Accountants, presents the statement of receipts and disbursements of the Sheriff of Hardin County, Kentucky, for the year ended December 31, 2001.

We engaged Stephens & Lawson, PSC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Stephens & Lawson, PSC, evaluated the Hardin County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure





REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
HARDIN COUNTY SHERIFF

Calendar Year 2001



**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**HARDIN COUNTY SHERIFF**

**Calendar Year 2001**

Stephens & Lawson, PSC has completed the Hardin County Sheriff's audit for the calendar year 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff's statement of receipts and disbursements reflected gross receipts of \$1,875,375 and total disbursements of \$94,407, resulting in net receipts of \$1,780,968. This amount was properly paid to the State Treasurer (\$1,597,017 Operating Fund and \$183,951 County Fund).

The Sheriff's statement of receipts, disbursements, and fund balances of the Sheriff's Operating Fund and County Fund with the State Treasurer reflected the following:

**Operating Fund:**

Beginning fund balance of (\$65,956), receipts of \$1,597,017, disbursements of \$1,483,787 and ending balance of \$47,274 on December 31, 2001.

**County Fund:**

Beginning fund balance of \$0, receipts of \$183,951, payments to Hardin County Government of \$183,951 and ending fund balance of \$0 on December 31, 2001.

**Debt Obligations:**

The Sheriff's only debt as of December 31, 2001 was a lease agreement on a copy machine. The lease had a remaining balance of \$1,274, which represented 6 monthly installments.

**Deposits:**

As of December 31, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.





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To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Glen Dalton, Hardin County Judge/Executive  
Honorable Martha Thomas, Hardin County Sheriff  
Members of the Hardin County Fiscal Court

Independent Auditors' Report

We have audited the accompanying statement of receipts and disbursements of the Sheriff of Hardin County, Kentucky, and the statement of receipts, disbursements, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2001. These financial statements are the responsibility of the Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the County Sheriff and the receipts, disbursements, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2002, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,  
Stephens & Lawson, P.S.C.  
Stephens & Lawson, P.S.C.

Audit fieldwork completed -  
November 13, 2002



HARDIN COUNTY  
MARTHA THOMAS, SHERIFF  
STATEMENT OF RECEIPTS AND DISBURSEMENTS

Calendar Year 2001

Receipts

|   |    |               |               |
|---|----|---------------|---------------|
| Federal Grant:                              |    |               |               |
| Universal Hiring Program                    |    | \$            | 13,465        |
| State Grants:                               |    |               |               |
| Juvenile Advocate Pay                       | \$ | 30,206        |               |
| Kentucky Law Enforcement Foundation Program |    | <u>89,348</u> | 119,554       |
| State Fees For Services                     |    |               | 173,370       |
| Circuit Court Clerk                         |    |               | 111,629       |
| Fiscal Court                                |    |               | 377,509       |
| County Clerk                                |    |               | 16,829        |
| Commission on Taxes                         |    |               | 750,035       |
| Fees Collected For Services:                |    |               |               |
| Auto Inspections                            | \$ | 46,600        |               |
| Serving Papers                              |    | 81,658        |               |
| Executions                                  |    | 436           |               |
| Carrying Concealed Deadly Weapon Permits    |    | 10,985        |               |
| Sheriff's Advertising Fees                  |    | 99,935        |               |
| Transport Prisoners                         |    | 39,533        |               |
| Record Checks                               |    | 777           |               |
| Arrest Fees                                 |    | <u>14,901</u> | 294,825       |
| Other -                                     |    |               |               |
| Mortgage Company Fees                       | \$ | 1,396         |               |
| Interest Earned                             |    | <u>16,763</u> | <u>18,159</u> |
| Total Receipts (Carried Forward)            |    |               | \$1,875,375   |

The accompanying notes are an integral part of the Financial Statement

HARDIN COUNTY  
MARTHA THOMAS  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
Calendar Year 2001  
(Continued)

|                                  |  |    |           |
|----------------------------------|--|----|-----------|
| Gross Receipts (Brought Forward) |  | \$ | 1,875,375 |
|----------------------------------|--|----|-----------|

Disbursements

Payments to State:

|  |  |    |        |
|--|--|----|--------|
| Carrying Concealed Deadly Weapon Permits |  | \$ | 25,433 |
|--|--|----|--------|

Other Disbursements:

|                   |    |               |               |
|-------------------|----|---------------|---------------|
| Executions        | \$ | 21,467        |               |
| Extradition Costs |    | <u>47,507</u> | <u>68,974</u> |

|                     |  |  |               |
|---------------------|--|--|---------------|
| Total Disbursements |  |  | <u>94,407</u> |
|---------------------|--|--|---------------|

|              |  |    |                  |
|--------------|--|----|------------------|
| Net Receipts |  | \$ | <u>1,780,968</u> |
|--------------|--|----|------------------|

Payments to State Treasurer:

|                    |    |                |                     |
|--------------------|----|----------------|---------------------|
| 75% Operating Fund | \$ | 1,597,017 *    |                     |
| 25% County Fund    |    | <u>183,951</u> | \$ <u>1,780,968</u> |

|                                    |  |    |                 |
|------------------------------------|--|----|-----------------|
| Balance Due at Completion of Audit |  | \$ | <u><u>0</u></u> |
|------------------------------------|--|----|-----------------|

\* Includes reimbursed expenses and fiscal court supplements to the Sheriff of \$1,045,163 for the audit period. See Note 1 to the financial statements.

HARDIN COUNTY  
MARTHA THOMAS, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE  
SHERIFF'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER

Calendar Year 2001

|                                | 75%<br>Operating<br>Fund | 25%<br>County<br>Fund | Totals      |
|--------------------------------|--------------------------|-----------------------|-------------|
| Fund Balance - January 1, 2001 | \$ (65,956)              | \$ -                  | \$ (65,956) |

Receipts

|   |                     |                   |                     |
|---|---------------------|-------------------|---------------------|
| Fees Paid to State-Operating Fund (75%) | 1,597,017           | -                 | 1,597,017           |
| Fees Paid to State-County Fund (25%)    | <u>-</u>            | <u>183,951</u>    | <u>183,951</u>      |
| Total Funds Available                   | \$ <u>1,531,061</u> | \$ <u>183,951</u> | \$ <u>1,715,012</u> |

Disbursements

|                                |         |            |            |
|--------------------------------|---------|------------|------------|
| Hardin County Government       | \$ -    | \$ 183,951 | \$ 183,951 |
| Personnel Services -           |         |            |            |
| Official's Statutory Maximum   | 83,201  | -          | 83,201     |
| Deputies' Salaries             | 870,404 | -          | 870,404    |
| Employee Benefits-             |         |            |            |
| Retirement                     | 143,025 | -          | 143,025    |
| Social Security                | 65,884  | -          | 65,884     |
| Health Insurance               | 39,610  | -          | 39,610     |
| Contracted Services -          |         |            |            |
| Advertising                    | 18,270  | -          | 18,270     |
| Vehicle Maintenance and Repair | 32,157  | -          | 32,157     |
| Materials and Supplies-        |         |            |            |
| Uniforms                       | 9,463   | -          | 9,463      |
| Uniform Maintenance            | 5,703   | -          | 5,703      |
| Gasoline                       | 29,925  | -          | 29,925     |
| Other Charges-                 |         |            |            |
| Canine                         | 76      | -          | 76         |
| Data Processing                | 4,425   | -          | 4,425      |
| Postage                        | 24,368  | -          | 24,368     |
| Radio Maintenance              | 6,389   | -          | 6,389      |
| Video Arraignment              | 8,861   | -          | 8,861      |
| Tires                          | 5,093   | -          | 5,093      |
| Training & Travel              | 5,424   | -          | 5,424      |
| Transport                      | 403     | -          | 403        |
| Pager Rental/Phone             | 17,577  | -          | 17,577     |

The accompanying notes are an integral part of the Financial Statement

HARDIN COUNTY  
MARTHA THOMAS, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
FUND BALANCES OF THE SHERIFF'S OPERATING  
FUND AND COUNTY FUND WITH THE STATE TREASURER  
Calendar Year 2001  
(Continued)

|                                  | 75%<br>Operating<br>Fund | 25%<br>County<br>Fund | Totals                  |
|----------------------------------|--------------------------|-----------------------|-------------------------|
| Disbursements (Continued)        |                          |                       |                         |
| Other Charges-(Continued)        |                          |                       |                         |
| Parking Fees                     | \$ 260                   | \$ -                  | \$ 260                  |
| Office Expense                   | 16,437                   | -                     | 16,437                  |
| Law Enforcement Supplies         | 7,167                    | -                     | 7,167                   |
| Life Insurance                   | 1,560                    | -                     | 1,560                   |
| Bond, Insurance, and Dues        | 48,123                   | -                     | 48,123                  |
| Capital Outlay-                  |                          |                       |                         |
| Computer Hardware                | 2,638                    | -                     | 2,638                   |
| Communication Equipment          | 870                      | -                     | 870                     |
| Office Equipment                 | 4,950                    | -                     | 4,950                   |
| Vehicles                         | <u>31,524</u>            | <u>-</u>              | <u>31,524</u>           |
| Total Disbursements              | \$ <u>1,483,787</u>      | \$ <u>183,951</u>     | \$ <u>1,667,738</u>     |
| Fund Balance - December 31, 2001 | \$ <u><u>47,274</u></u>  | \$ <u><u>-</u></u>    | \$ <u><u>47,274</u></u> |

The accompanying notes are an integral part of the Financial Statement



HARDIN COUNTY  
MARTHA THOMAS, SHERIFF  
NOTES TO FINANCIAL STATEMENTS

December 31, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a Sheriff's operating fund and used for office expenses of the official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of an accrual at December 31, 2001.

The Attorney General issued a letter, which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are receipted in the 75 percent fund.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

HARDIN COUNTY  
MARTHA THOMAS, SHERIFF  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2001  
(Continued)

NOTE 2 - EMPLOYEE RETIREMENT SYSTEM

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent during the first six months of the year and 6.41 percent thereafter. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent during the first six months of the year and 16.28 percent thereafter.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

NOTE 3 - DEPOSITS

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The Sheriff met the requirements stated above, and as of December 31, 2001, deposits were fully insured or collateralized at a 100% level with pledged securities held by the county official's agent in the county official's name.

NOTE 4 - LEASES

The Sheriff is committed to the following lease agreement as of December 31, 2001:

| Item<br>Purchased | Monthly<br>Payment | Terms of<br>Agreement | Ending<br>Date | Principal<br>Balance<br>December 31, 2001 |
|-------------------|--------------------|-----------------------|----------------|---|
| Copier            | \$ 212             | 48 Months             | 6/30/02        | \$ 1,272                                  |

HARDIN COUNTY  
MARTHA THOMAS, SHERIFF  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2001  
(Continued)

NOTE 5 - HEALTH INSURANCE PREMIUMS

KRS 61.405 allows the county fee officials to purchase twelve (12) months of health insurance coverage for their employees, if excess fees are available. Therefore, the expenditures are allowable. The Attorney General has issued opinion 92-108, which claims the statute is unconstitutional and discriminatory. The Attorney General also issued OAG 94-11 on February 25, 1994, stating health or medical insurance provided uniquely for an official and not in connection with a government program providing benefits to all county employees would be personal in nature.

NOTE 6 - KENTUCKY LAW ENFORCEMENT FOUNDATION PROGRAM FUND

The Hardin County Sheriff's office participates in the Kentucky Law Enforcement Foundation Program Fund. Under the program, grant funding is available as incentive pay through the Commonwealth of Kentucky Department of Criminal Justice Training. Per KRS 15.460, an eligible officer is entitled to receive an annual maximum of \$2,750. During calendar year 2001, the Hardin County Sheriff's office received and expended \$89,348 of these funds.

NOTE 7 - DRUG ABUSE RESISTANCE EDUCATION FUND

The Sheriff had a Drug Abuse Resistance Education Fund, which had a beginning balance of \$134; receipts of \$400; and disbursements of \$0; leaving a balance at December 31, 2001, of \$534.

NOTE 8 - DRUG FUND

The Sheriff had a drug fund account, which had a beginning balance of \$1,783; receipts of \$0; and disbursements of \$0; leaving a balance at December 31, 2001, of \$1,783.

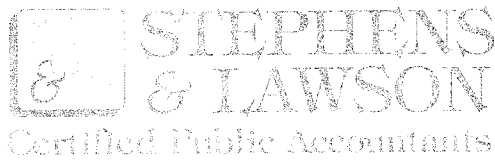
NOTE 9 - TRIAD FUND

The Sheriff had a TRIAD Fund, which had a beginning balance of \$210; receipts of \$425; and disbursements of \$251; leaving a balance at December 31, 2001 of \$384. TRIAD is an organization of local law enforcement and senior citizens to reduce crime against the elderly.

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REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Glen Dalton, Hardin County Judge/Executive  
Honorable Martha Thomas, Hardin County Sheriff  
Members of the Hardin County Fiscal Court

Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of the Financial  
Statement Performed in Accordance With Government Auditing Standards

We have audited the Hardin County Sheriff as of December 31, 2001, and have issued our report thereon dated November 13, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Hardin County Sheriff's financial statements for the year ended December 31, 2001, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hardin County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully Submitted,  
Stephens & Lawson, P.S.C.  
Stephens & Lawson, P.S.C.

Audit fieldwork completed -  
November 13, 2002